



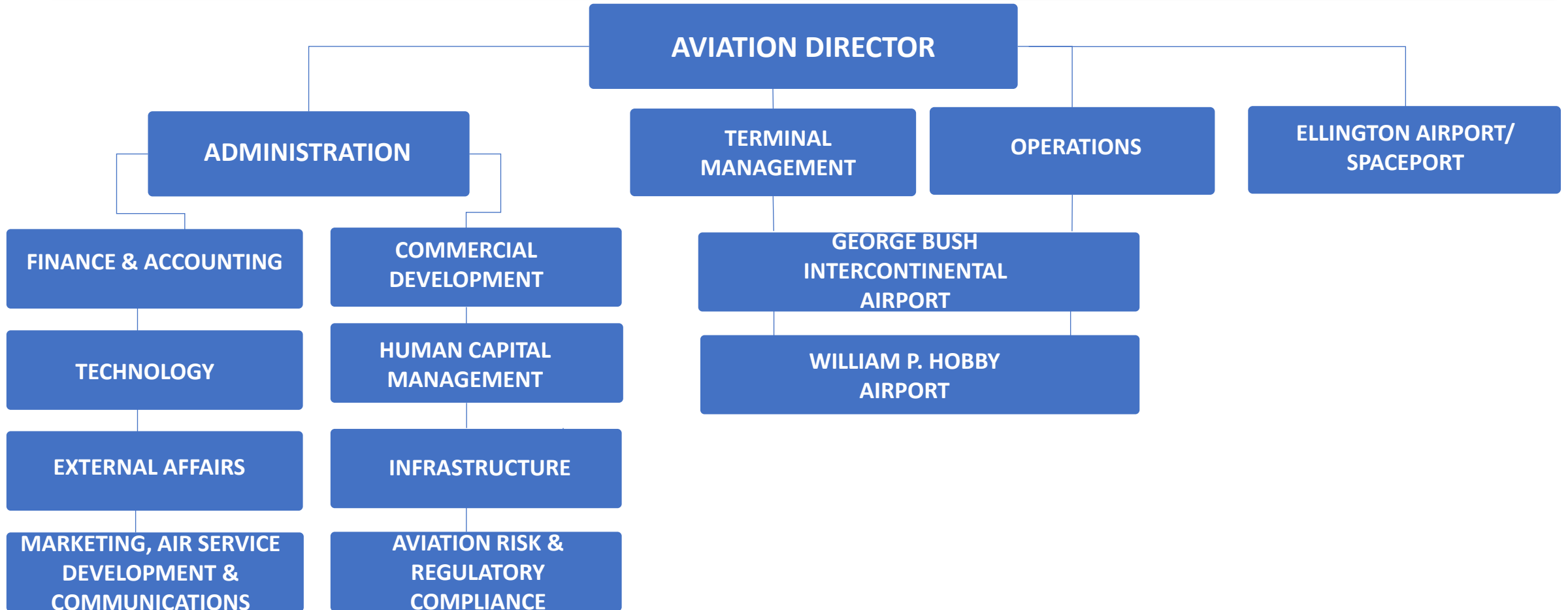
AVIATION DEPARTMENT FY2022 PROPOSED BUDGET PRESENTATION

Mario Diaz, Director of Aviation
J'Maine Chubb, Deputy Director of HAS Finance

May 20, 2021



Organization Chart





Department Programming

We provide services to the traveling public!



Worldwide Destinations (39 Countries w/ over 194 non-stop destinations)



Parking Facilities and Services



In-Terminal Sales



Ground Transportation



Real Estate

*Destination data disclosed above is prior to the onset of COVID-19



Key Accomplishments – FY21



- ✈ Design has been completed for our ITRP program and construction has commenced ITRP's Mickey Leland International Terminal, a significant milestone for the program

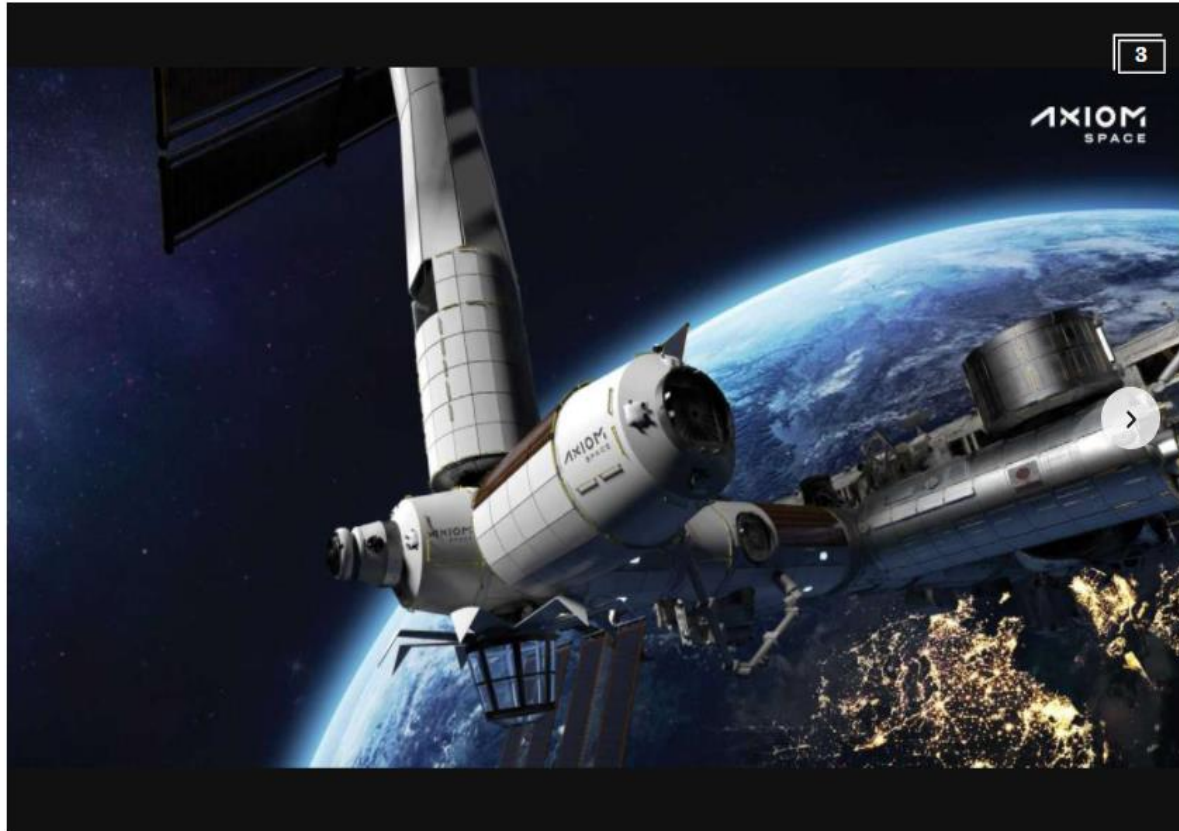




Key Accomplishments – FY21

LOCAL // HOUSTON

With Axiom, Houston Spaceport gets commercial space station tenant



Collins Aerospace to join growing list of Houston Spaceport tenants



AEROSPACE REDEFINED





Key Accomplishments – FY21

George Bush Intercontinental Airport Is TSA 2020 Airport of the Year

AIRLINES & AIRPORTS | JANEEN CHRISTOFF | DECEMBER 11, 2020



FLYSAFE
HOUSTON





Key Accomplishments – FY21

- ➔ Skytrax's audit for 2021 is delay until June due to COVID-10
- ➔ HAS anticipates receipt of 5-stars at Hobby Airport

IAH

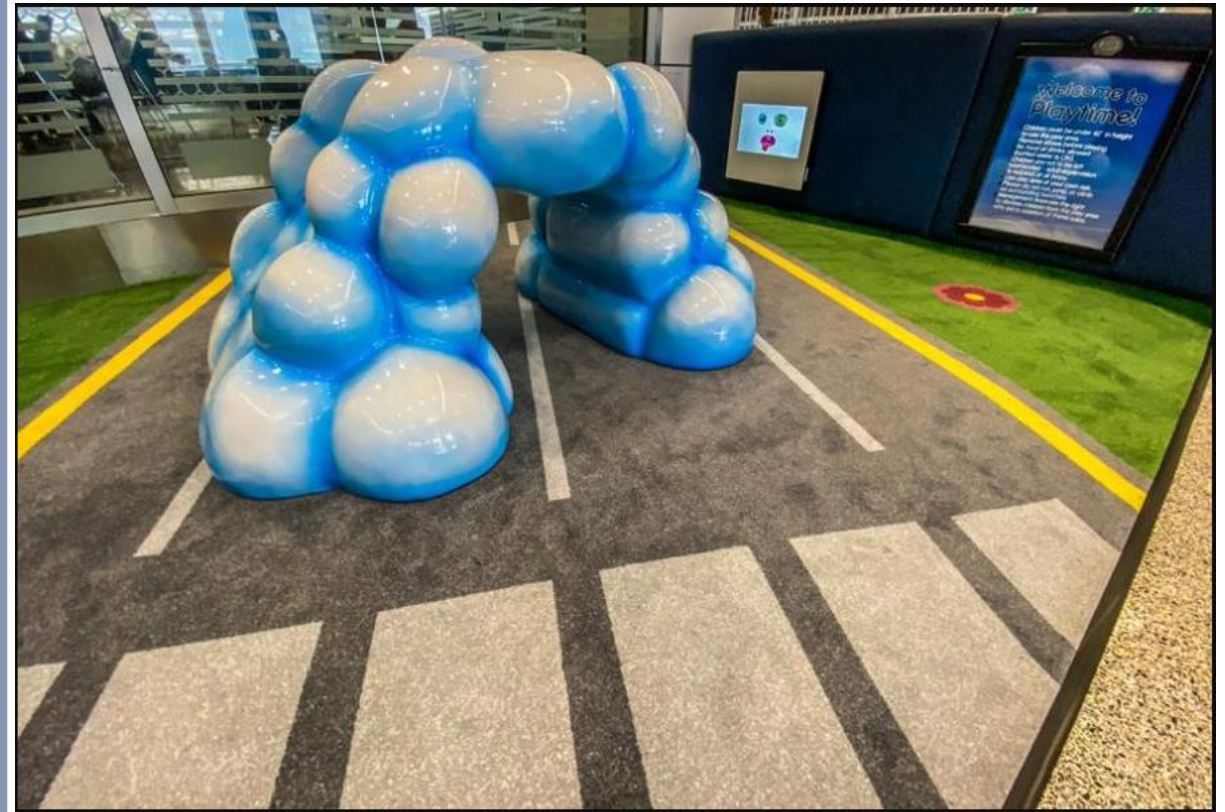


HOU



Hobby Airport Adds New Children's Play Area and Interfaith Chapel

March 17, 2021



Strategic Plan 2020 - 2024



VISION

Establish Houston Airport System as a 5-star global air service gateway where the magic of flight is celebrated

MISSION

We exist to connect the people, businesses, cultures and economies of the world to Houston

STRATEGIC PRIORITIES



MAKE OUR PASSENGERS HAPPY

Houston Airports views the traveling passenger as a customer. Therefore, Houston Airports must be focused on continually providing an excellent customer experience at all touchpoints.



ACT RESPONSIBLY TO ACHIEVE SOCIAL, ENVIRONMENTAL, AND ECONOMIC SUSTAINABILITY

Houston Airports has determined three key areas that are critical to the system's sustainability — People (Social), Planet (Environmental) and Profit (Economic). The intersection of these areas will be at the heart of how Houston Airports operates.



BUILD PLATFORMS FOR FUTURE SUCCESS

Houston Airports is working to ensure that the physical, human, financial and system resources are in place to meet future demand. Houston Airports continues to implement systems and programs to manage our airports responsibly and enable us to exceed customer expectations.



INVEST IN OUR PARTNERSHIPS AND OUR EMPLOYEES

To provide a world-class customer experience, Houston Airports must continue to invest in its employees — the pillars of Houston Airports' success and the front line in the effort to improve the customer experience.

Strategic Plan – Financial Targets



450
Days Cash
on Hand

1.5x
Debt Serv.
Coverage
Ratio

Less than
\$120
Debt per
Enpl Pax

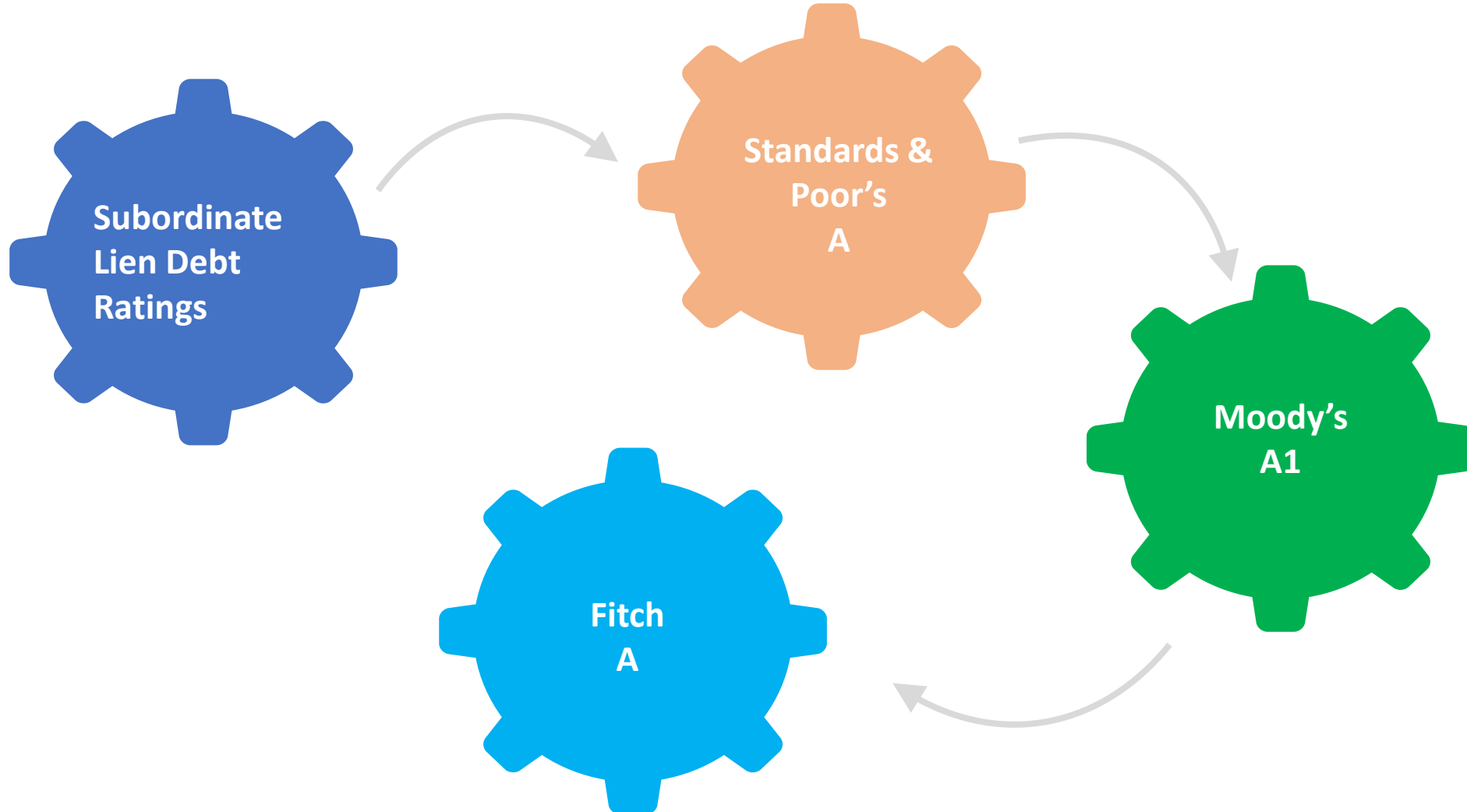




Strategic Plan – Financial Targets

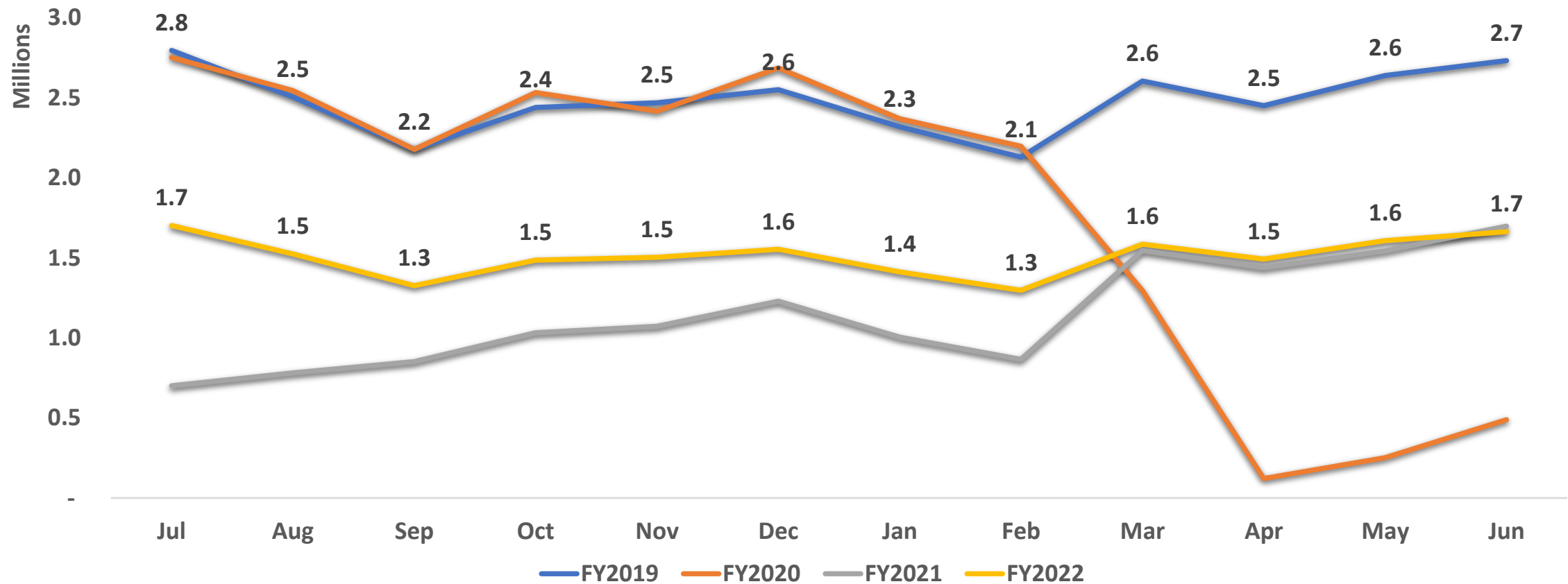
Metrics	Target	FY21 Estimate	FY22 Estimate
Days Cash on Hand	≥ 450	566	704
Debt Service Coverage Ratio	$\geq 1.5x$	N/M	N/M
Debt per Enplaned Pax	$\leq \$120$	\$145	\$121

Debt Ratings



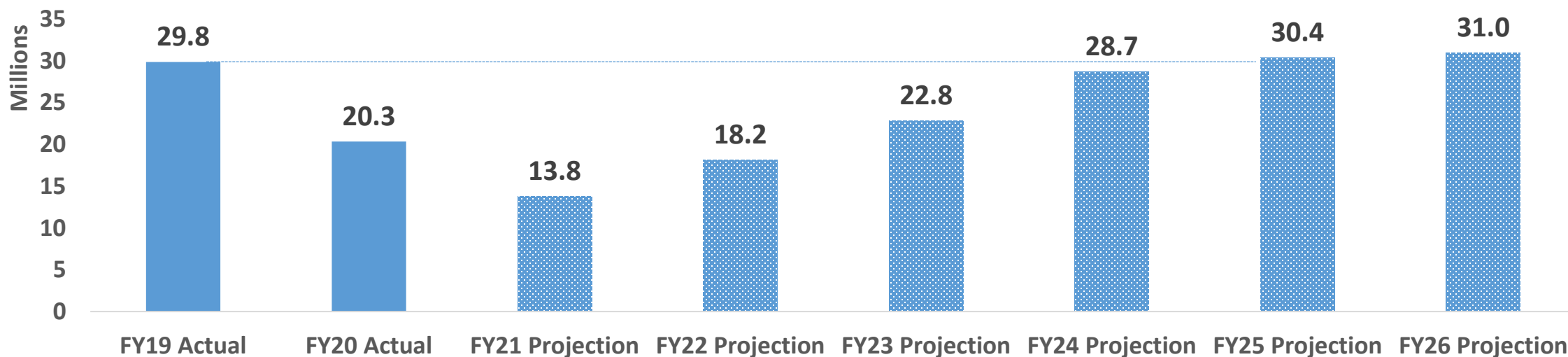


FY22 Enplanement Projection vs. Prior Years



- ✈ HAS's projected enplanements of 18.2 million for FY22 are conservative when compared to FY19
- ✈ The average monthly enplanement is 60% of FY19 through FY22
- ✈ Passenger traffic has rebounded to this level in 4Q FY21

Long-Term Enplanement Projection & Impact on Revenues



- ✈ HAS passenger traffic declined by 89% or 13.8M passengers in 4Q FY2020 when compared to 4Q FY2019
- ✈ FY21 enplanements are projected to be down 54% when compared to FY19
- ✈ Full recovery from pandemic by FY25
- ✈ Revenues from airlines relatively stable over this timeframe given the nature of our agreements
- ✈ HAS projected non-airline revenues are lower by \$600 million FY20 – FY24 due to the decline in passenger traffic
 - ✈ Federal grants will cover nearly 70% of this loss

Federal Grant Relief



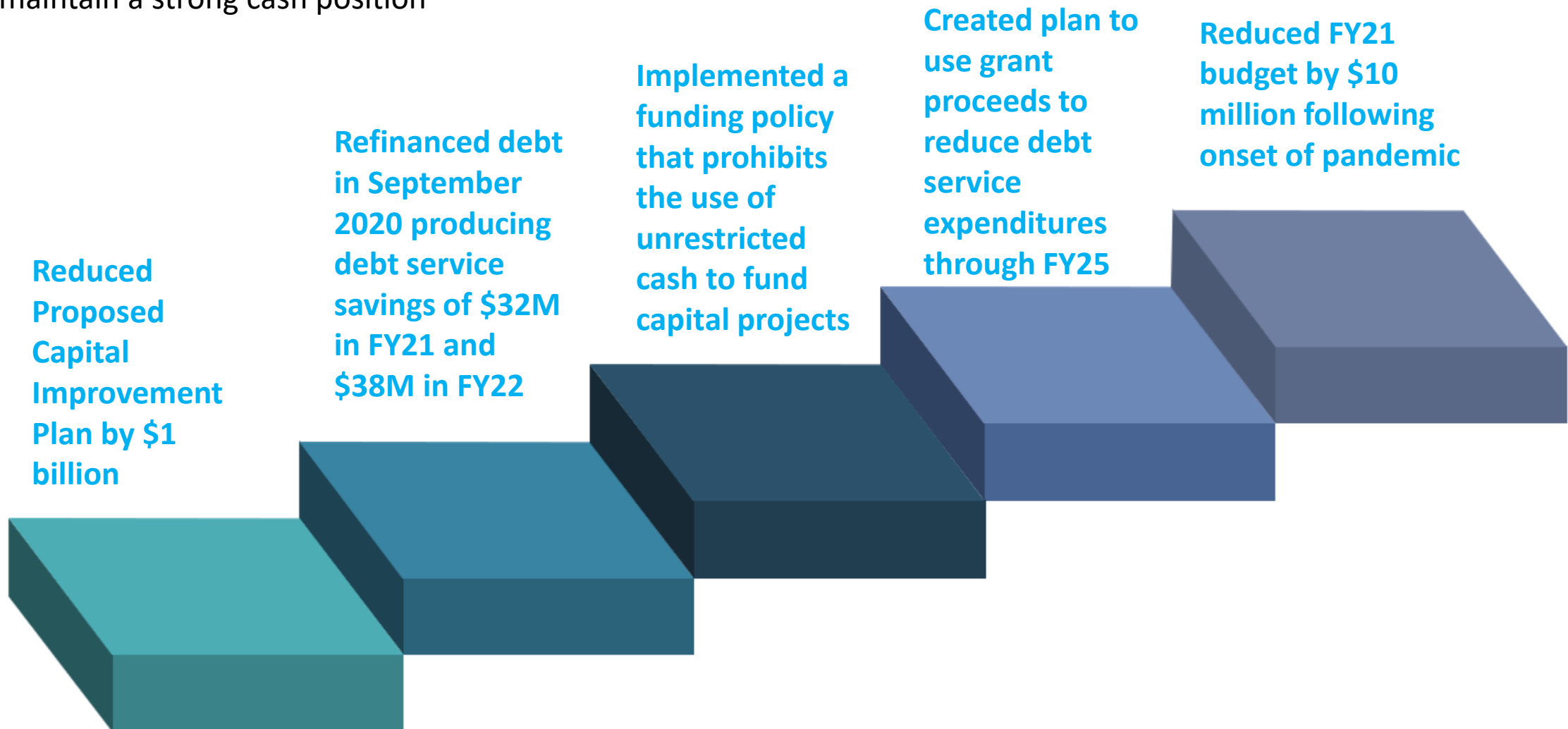
Grants –
\$456 Million

- Houston Airports awarded an estimated \$456M through CARES Act and other grants approved by the federal government
- FY20 - HAS used approved \$8M to pay debt
- FY21 – HAS will use approximately \$120M to pay parking contract costs and debt service expenditures
- FY22 – HAS will use \$31M (which was specifically set aside by the federal government to provide relief to concessionaires) to credit concessionaires operating during the pandemic, \$104.5M to pay debt service expenditures and \$30 million to cover parking contract costs
- We expect to have \$162.5M in grant proceeds remaining after FY22 to be used for any lawful airport purpose
- It is estimated the cash position of HAS will be impacted by \$290 million through FY24 due to the pandemic based on current cash flow projections



Financial Management Measures

Houston Airport System management has taken a number of measures to mitigate the impact of COVID-19 and maintain a strong cash position





Revenues by Fund (in thousands \$)

HAS – Revenue Fund 8001	FY20 Budget	FY20 Actual	FY21 Adopted Budget	FY21 Estimate	FY22 Proposed	FY22 Proposed v. FY21 Estimate	% Change
Airline Landing Fees	\$91,076	\$92,046	\$92,952	\$62,605	\$90,340	\$27,735	44.3%
Airline Terminal Rental	199,690	194,057	193,524	132,195	176,122	43,927	33.2%
Airline Revenues	\$290,766	\$286,102	\$286,476	\$194,800	\$266,462	\$71,662	36.8%
Garage & Surface Parking	\$112,862	\$81,173	\$87,340	\$41,1000	\$58,428	\$17,328	42.2%
Ground Trans & Retail	53,748	42,219	29,215	17,836	30,786	12,950	72.6%
Auto Rental	28,884	23,400	21,401	16,047	21,253	5,206	32.4%
Other	59,150	58,696	56,491	50,917	59,313	8,396	16.5%
Non-Airline Revenues	\$254,644	\$205,487	\$194,447	\$125,900	\$169,780	\$43,879	34.9%
Total Revenue	\$545,410	\$491,589	\$480,923	\$320,700	\$436,241	\$115,541	36.0%



Revenues Highlights Fund 8001

Revenue for FY2022 is proposed to be \$436.2M, an *increase* of \$115.5M, or 36.0% over the FY2021 Estimate

- Airline revenues from landing fees and terminal rents are projected to increase by \$71.7M or 36.8%, driven by the decrease in the amount of CARES Act offset to airline rates and charges
- A projected material increase in passenger levels will drive increases in the following revenues versus the FY2021 Estimates:
 - Parking \$17.3M
 - Terminal Concessions \$10.5M
 - Car Rentals \$5.2M and
 - Ground Transportation \$2.5M
- Interest Revenue is anticipated to increase \$1.5M versus the FY21 Estimate due to an anticipated slight increase in interest rates
- Revenue from Facility Rentals (Cargo bldgs. and hangars) & Other is projected to increase \$0.7M.



Expenditures by Fund (in thousands \$)

HAS – Revenue Fund 8001	FY20 Budget	FY20 Actual	FY21 Adopted Budget	FY21 Estimate	FY22 Proposed	FY22 Proposed v. FY21 Estimate	% Change
Personnel *	\$110,153	\$100,903	\$114,075	\$107,652	\$115,506	\$7,854	7.3%
Supplies	9,537	8,223	6,339	5,940	6,214	274	4.6%
Other Services & Charges**	212,746	184,862	202,645	187,974	209,679	21,705	11.6%
Non-Capital	2,634	1,359	2,055	1,778	2,197	420	23.5%
HAS Revenue Fund 8001 (O&M Expenditures)	\$335,070	\$295,347	\$325,116	\$303,344	\$333,596	\$30,252	10.0%

*FY20 Actual Personnel as shown does not include GASB NPO and OPEB year-end accruals of approximately \$17.9M

**FY22 Proposed Services includes \$42.1M for Parking and Skyway Maintenance contract expenditures that will be funded via Fund 8011



Expenditures by Fund (in thousands \$)

HAS – Fund 8012	FY20 Budget	FY20 Actual	FY21 Adopted Budget	FY21 Estimate	FY22 Proposed	FY22 Proposed v. FY21 Estimate	% Change
Bldgs, Improvements & FFE	\$584	\$504	\$1,384	\$303	\$185	(\$1)	-39.0%
Computer HW and Developed SW	4,677	1,761	4,382	1,763	1,896	13	7.6%
Vehicles (and Rolling Stock)	9,034	3,649	6,708	5,432	11,736	6,304	116.0%
HAS Capital Outlay	\$14,295	\$5,914	\$12,473	\$7,498	\$13,817	\$6,319	84.3%
Fund 8001 and 8012	FY20 Budget	FY20 Actual	FY21 Adopted Budget	FY21 Estimate	FY22 Proposed	FY22 Proposed v. FY21 Estimate	% Change
Fund 8001	\$335,070	\$295,347	\$325,116	\$303,344	\$333,596	\$30,252	10.0%
Fund 8012	14,295	5,914	12,473	7,498	13,817	6,319	84.3%
Total	\$349,365	\$301,261	\$337,589	\$310,843	\$347,413	\$36,571	11.8%

FY2022 - Expenditure Highlights

Fund 8001



Expenditures for Fund 8001 in FY2022 are projected to be \$333.6M, an increase of \$30.3M or 10.0% over the FY2021 Estimate

- Personnel budgeted to increase by \$7.9M, or 7.3%, due to the realignment of the IAH and HOU staff into Operations and Terminal Management Groups and investment in strategic business units focused on delivering increases in non-airline revenues
- Other Services & Charges budgeted to increase by \$21.7M, or 11.6%, driven by the following: contractual increases for costs such as
 - Facility maintenance \$6.0M
 - Technology \$1.4M;
 - Mgmt Consulting of \$3.8M driven by anticipated various assessments, planning for projects and new concessions related programs (Consolidated Distribution Center and Management Fees);
 - Non-utility Interfund increases (mostly IT and Property Insurance related) of \$2.2M
 - \$2.2M passenger volume increases \$1.5M such as security, janitorial, refuse disposal and CBP overtime;
 - Resumption of employee travel and training programs \$1.1M;
 - Fuel now being budgeted as a Service instead of in Supplies \$0.7M and Utilities \$0.6M.
 - Supplies and Non-Capital Equipment are budgeted to increase by \$0.7M, or 9.0%
- HAS pays \$98.2M to City of Houston in FY22 Budget for services provided by HPD, HFD, FMD, HR, IT, Legal, Water/Sewer, etc.

FY22 Budget Expenditures Net Change Fund 8001 (in thousands \$)

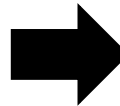
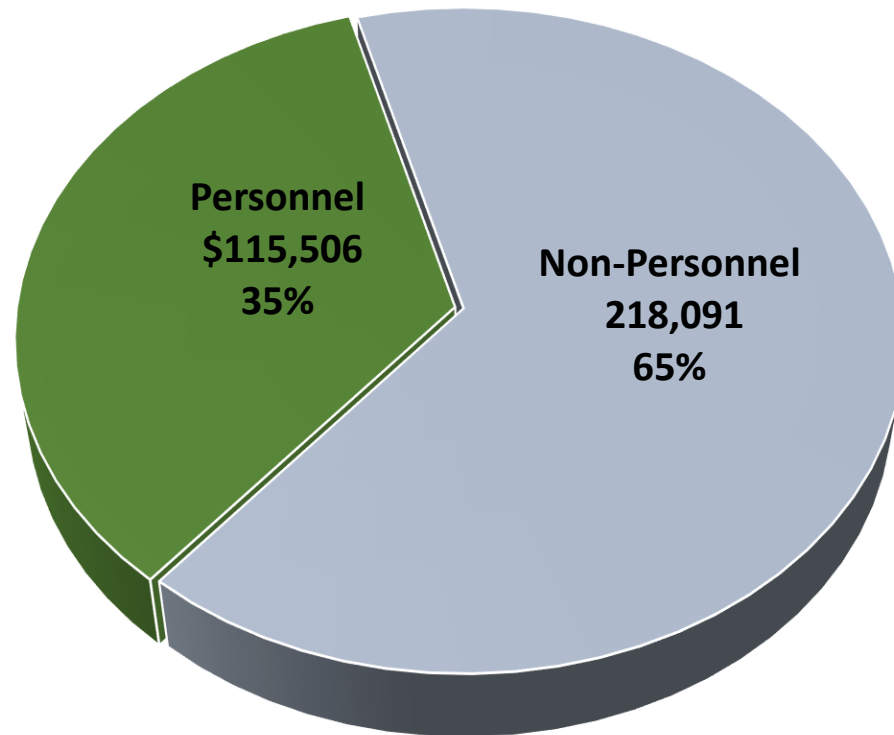


FY21 Estimate	\$303,344
New Automated People Mover Contract	\$5,900
Management Consulting – Assessments, Planning Studies, Consolidated Distribution Facility, ITRP Retail and Food Contract	\$3,788
Increase in IT contracts and related initiatives	\$2,506
Interfund – Police & Fire, IT, HR Client & Utilities	\$2,263
New Parking Services Contract	\$1,900
Travel & Training	\$1,118
Maintenance Contract Increases	\$1,074
Property Insurance	\$846
Janitorial & Security Services	\$532
Security Background Check, Refuse Disposal & Testing Services	\$474
Misc. Other – BCP559 OT, Smarte Carte	\$385
Other	\$873
Subtotal Contractual and Other Increases	\$21,659
Salaries & Benefits – Realignment w/ vacancy factor (293 FTE FY22 vs. 188 FTE FY21)	\$7,900
Supplies	\$274
Non-Capital Expenditures	\$419
Subtotal Proposed Budget Increases / (Decreases)	\$8,593
Total Increase / (Decreases)	\$30,252
FY22 Proposed Budget Fund 8001	\$333,596

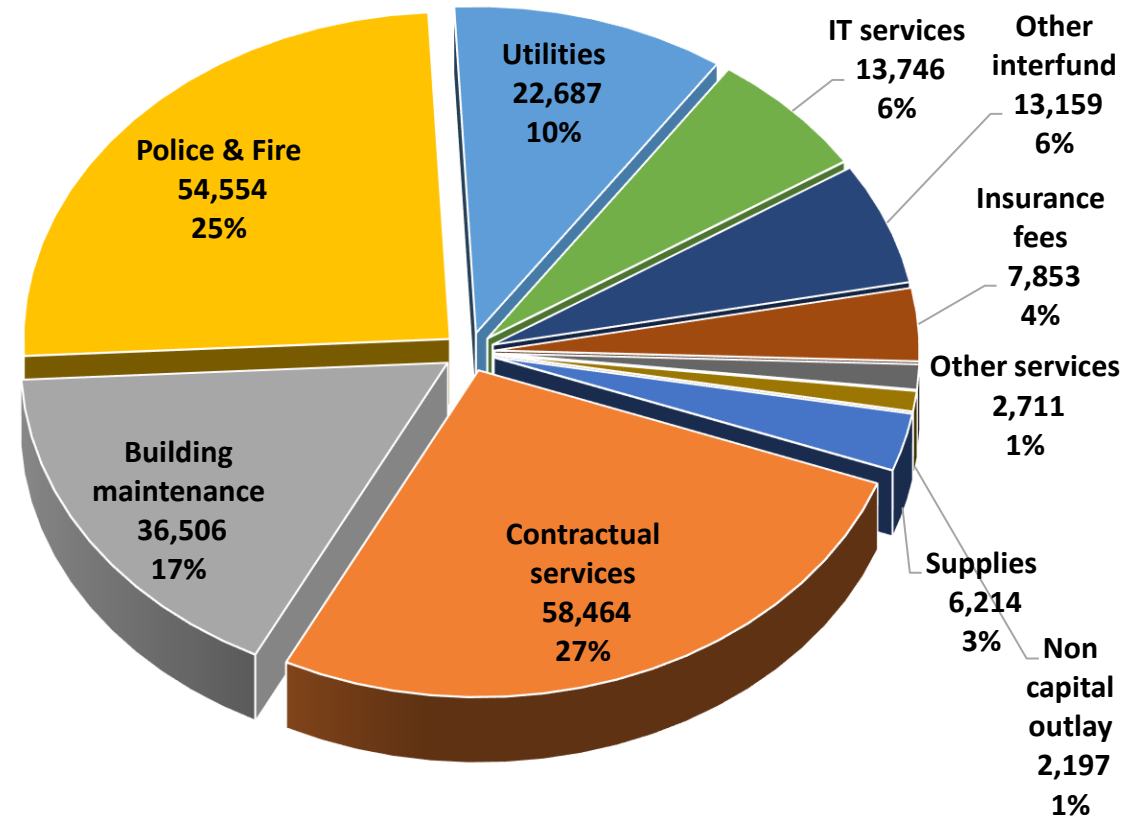
FY22 Personnel vs. Non-Personnel (in thousands \$)



FY 2022 Fund 8001 Budget: \$333,596

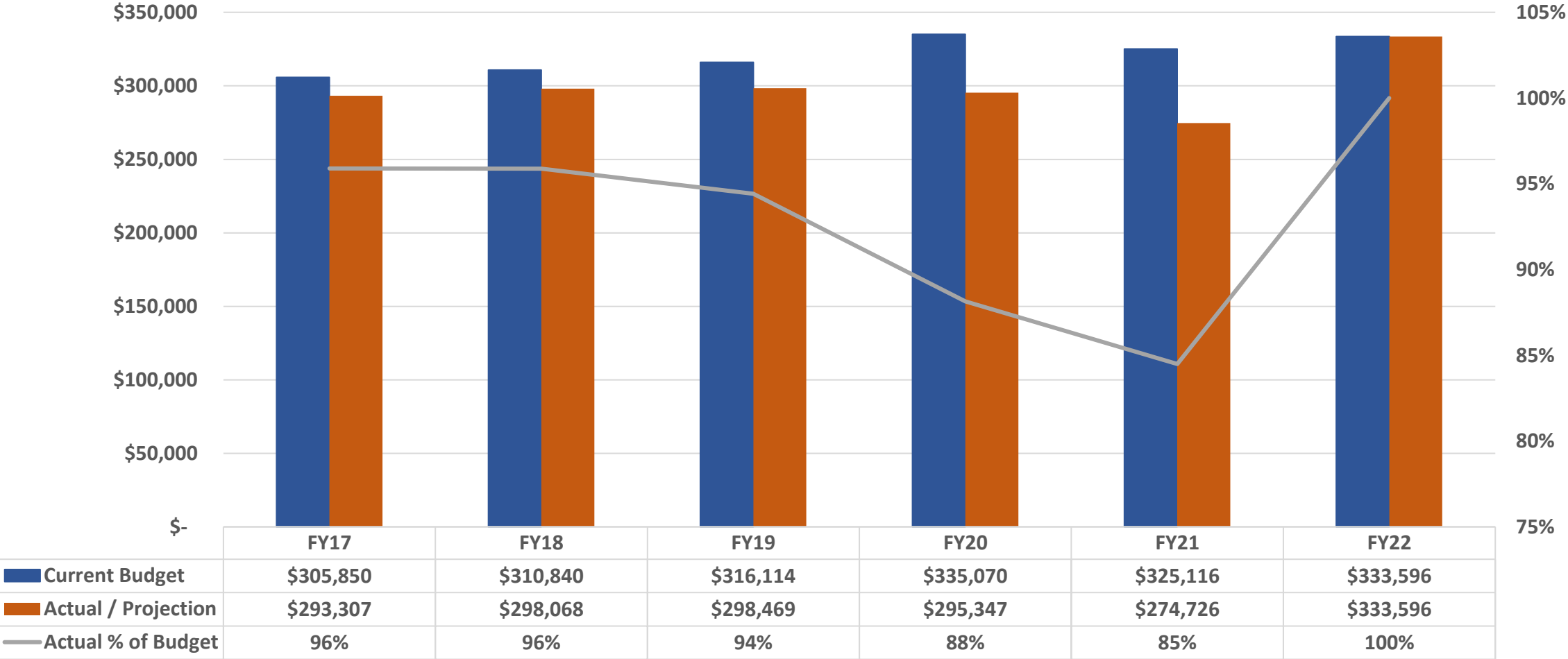


Non-Personnel Breakdown





Budget History (in thousands \$)



Amounts shown are net of Net Pension Obligation and OPEB

Questions?





Appendix

Resilience and Climate Action (in thousands \$)



High-priority Initiatives or Projects	Resilient Houston Goals/Target/Actions	Climate Action Plan Goal/Target/Action
Central Utility Plant Improvements – Combined Heat and Power Generation (CIP)	Goal 10: Achieve carbon neutrality by 2050 in accordance with the Paris Agreement. Goal 18	Goal 1: Grow Houston’s investment in renewable and resilient energy Goal 2: Expand investment in energy efficiency
Hobby Airport Domestic Water Resiliency Improvements (CIP)	Goal 11 Goal 18	
Bush Airport Detention Pond (CIP)	Goal 8, Action 25 Goal 11 Goal 18	
Spaceport Drainage Structure Repairs (CIP)	Goal 11: Complete 100 new green stormwater infrastructure projects by 2025. Goal 18: Invest \$50 billion in major recovery, mitigation, and modernization projects that increase resilience by 2040.	
Hobby Airport Sanitary Sewer System (CIP)	Goal 18	

Resilience and Climate Action (in thousands \$)

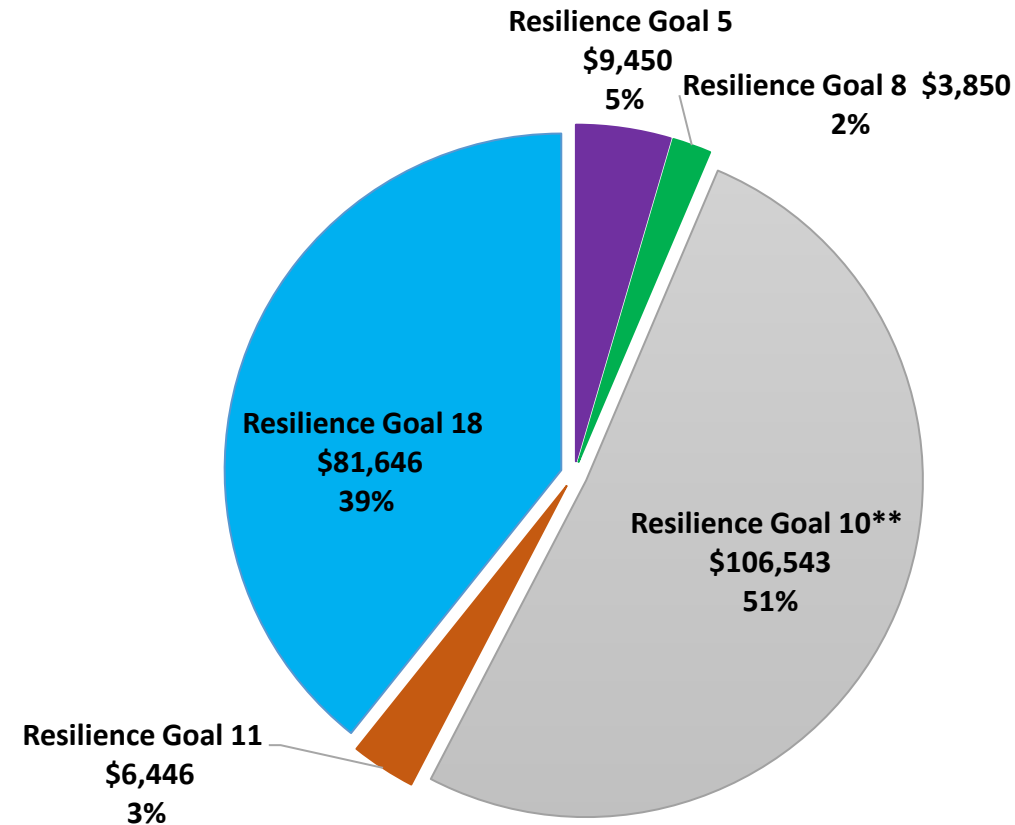


High-priority Initiatives or Projects	Resilient Houston Goals/Target/ Actions	Climate Action Plan Goal/Target/ Action
Underground Utilities Assessment(s) (CIP)	Goal 18	
Hobby Airport Main Terminal Utilities - Condition Assessment(s) (CIP)	Goal 18	
Purchase 6 Electric Buses, 20 Electric Sedans (with support infrastructure)	Goal 10, Action 31	Goal 1
Purchase 64 Hybrid Light Duty Vehicles (FY22-FY24) (CIP)	Goal 10, Action 31	Goal 1
Spaceport AXIOM Development (CIP)	Goal 18, Action 46	
Spaceport Project Anchor (CIP)	Goal 18, Action 46	
COVID-19 Recovery Supporting Texas Artists (FY22) celebrating Houston's rich heritage, resilient spirit, and reputation as an arts and culture destination.	Goal 5 Invest in Arts & Culture to Strengthen Community Resilience; Action 14	
International Terminal Redevelopment Program (ITRP) Arts Program (FY22-FY25)	Goal 5, Action 14	
Bush Airport Harmony in the Air Stage (CIP)	Goal 5, Action 14	



Resilience and Climate Action (in thousands \$)

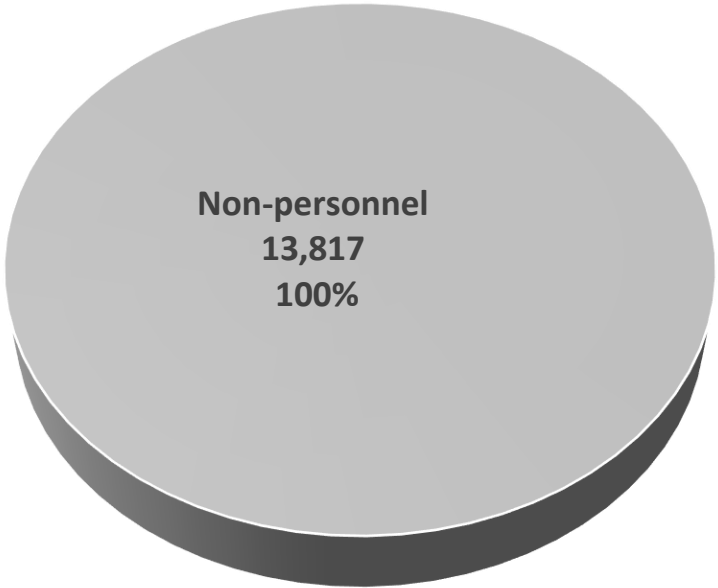
Resilience Plan Summary of Aligned Investments



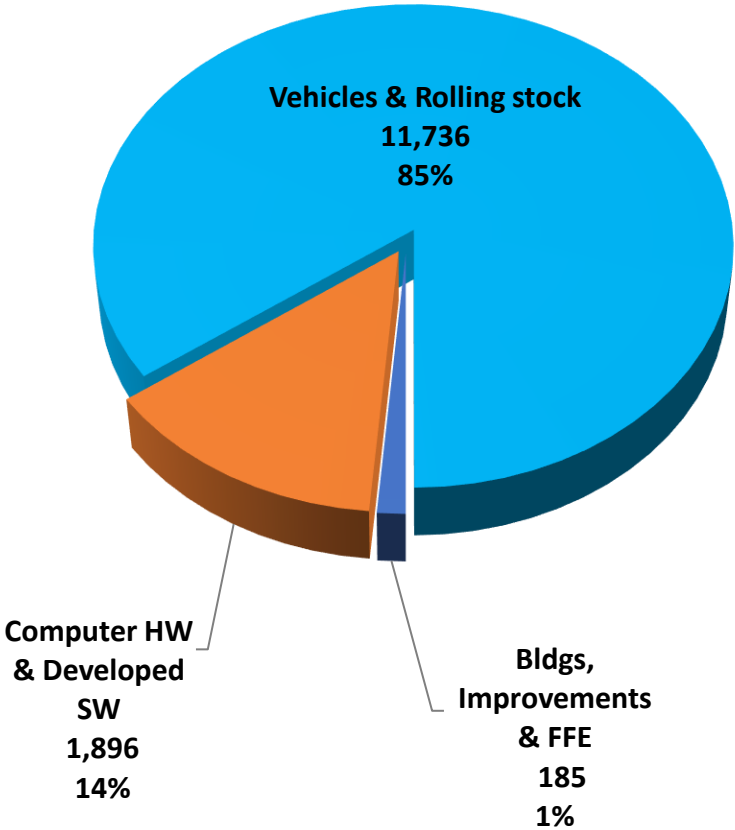
* Please note that some of the projects are aligned with more than one goal, so the project value was included in the total investment for each goal with which it is aligned. These numbers should NOT be added together to calculate the total investment.

** All Goal 10 Resilience- related investments are also aligned with Climate Action Plan, Goal 1

FY2022 Personnel vs Non-Personnel Fund 8012 (in thousands \$)



Non-Personnel Breakdown



FY21 - Expenditures Highlights

Fund 8012



Expenditures for Fund 8012 in FY2022 are projected to be \$13.8M, an increase of \$6.3M or 84.3% over the FY2021 Estimate

➤ The increase is primarily driven by the following:

➤ + \$2.8M - Winter Weather Operations Equipment

➤ + \$2.3M - Replacement of HAS Fleet Vehicles at end of life

➤ + \$1.2M - ARFF Vehicles



Restricted Account Details

GL Description	Justification & Cost Drivers	FY22 Proposed Budget
Interfund Police Service	HAS' cost for services supported by Houston Police Department (HPD) at the airports.	34,046
Interfund Fire Protection Services	HAS cost for Aircraft Rescue and Fire Fighting (ARFF) services supported by 152 employees of the HFD assigned to Stations 54, 81, 92 and 99 which provide emergency response services for hazardous materials, technical rescue and aircraft fire fighting and rescue incidents at the airports.	20,508
Electricity	HAS' cost for electricity accounts which are administered by the CoH SPD and Finance.	12,377
Insurance Fees	Cost for monthly property insurance premiums.	7,853
Drainage Fee Service Chargeback	Fee is based on imperious service.	4,839
Interfund Vehicle Services	HAS' cost for repair, maintenance, and administrative support from FMD for all rolling stock equipment.	3,500
Indirect Cost Recovery	HAS' cost for services administered by through the General Fund.	2,712
Natural Gas	HAS' cost for natural gas accounts which are administered by SPD and CoH Finance.	2,030
Interfund HR Client Services	HAS' cost for HR operations reflecting health benefits and restricted accounts increase.	1,917
Sewer Services	HAS' cost for sewer services which are administered by the Combined Utility System (CUS) of the Houston Public Works Department.	1,610



Restricted Account Details

GL Description		Justification & Cost Drivers	FY22 Proposed
Water Services	HAS' cost for water services which are administered by the Combined Utility System (CUS) of the Houston Public Works Department.		1,453
Application Services	HAS' cost for Microsoft Enterprise licenses, SAP licenses maintenance and support, various Enterprise Application and Server support personnel, eSignature, Project Management, Infor, eDiscovery, Cyber Security Office software and support, HITS Budget Support via the Finance Department and other various technical matters.		1,548
Data Services	HAS' portion of Data Services cost administered by CoH Information Technology Department.		1,295
Interfund Fuel	HAS' cost for fuel which is are administered by the Fleet Management Department.		698
Electricity Franchise Fee Expend	HAS' cost for Franchise Administration which regulates electricity utilities.		379
Interfund Voice Exp	HAS' portion of Voice Exp costs administered by CoH Information Technology Department.		362

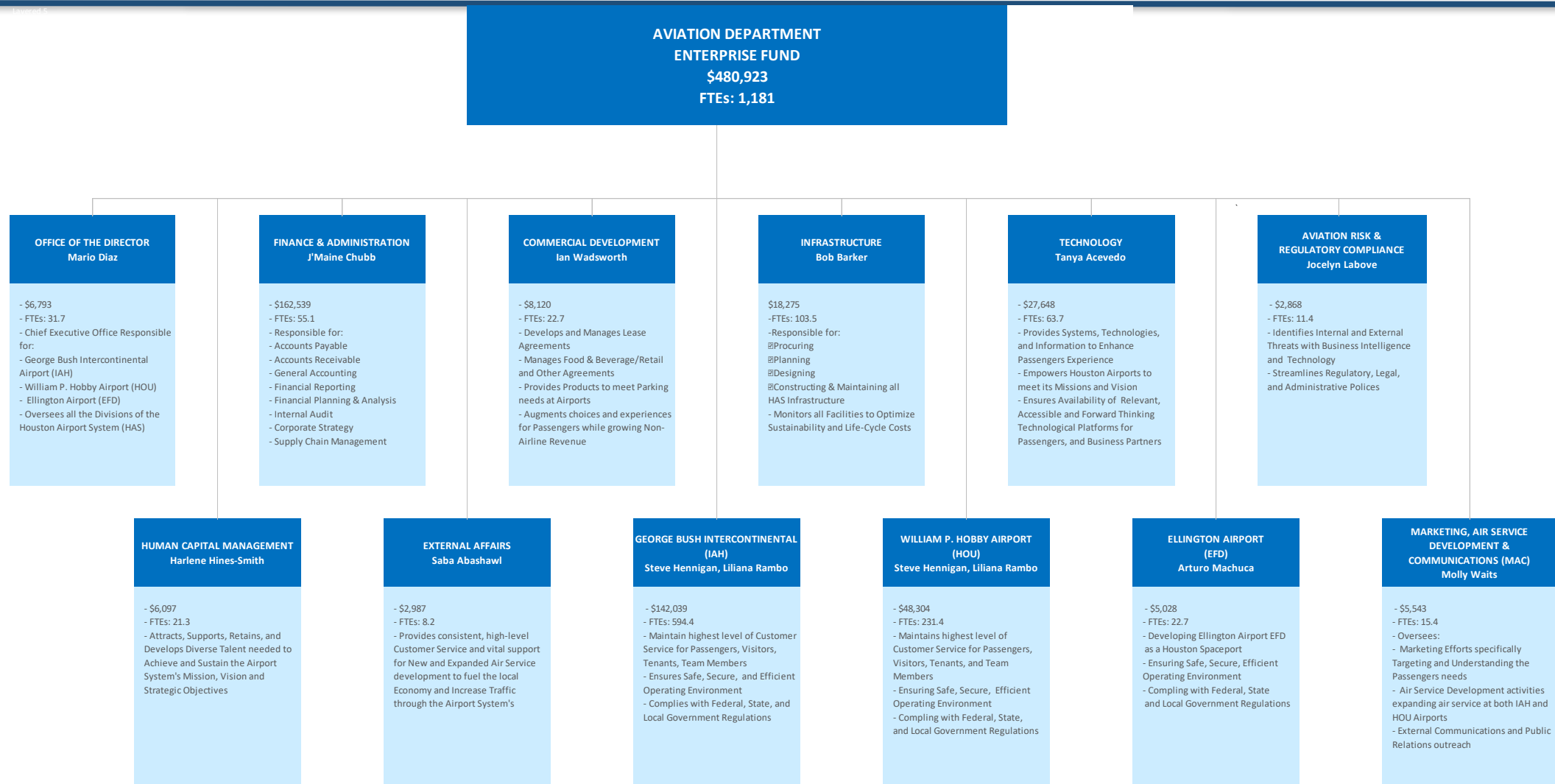


Restricted Account Details

GL Description	Justification & Cost Drivers	FY22 Proposed
Interfund Payroll Services	HAS' cost for payroll services HR operations reflecting health benefits and restricted accounts increase.	336
HEC	HAS' cost for calls dispatched through the Houston Emergency Center.	280
Interfund Network Services	HAS' portion of Network Services cost administered by CoH Technology Department.	218
GIS Resolving Fund Services	HAS' cost for personnel, software licenses and maintenance associated with city of Houston's Enterprise Geographic Information System (EGIS).	147
Temporary Personnel	HAS' portion of Temporary Personnel cost administered by CoH Human Resources Department.	97
KRONOS Service Chargeback	HAS' cost for software license and maintenance costs associated with the city of Houston's Time and Attendance System (KRONOS).	75
Interfund Legal Services	HAS' cost for legal services/support from the City of Houston's Legal Department.	68
Interfund Voice Labor	HAS' portion of Voice Labor (data) costs administered by CoH Information Technology Department	4



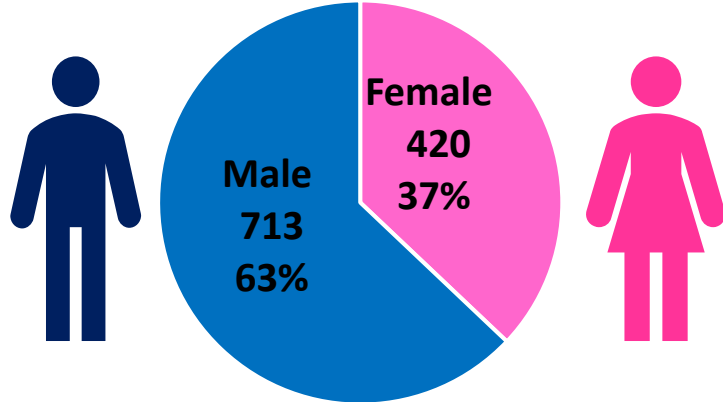
Functional Org Chart (in thousands)



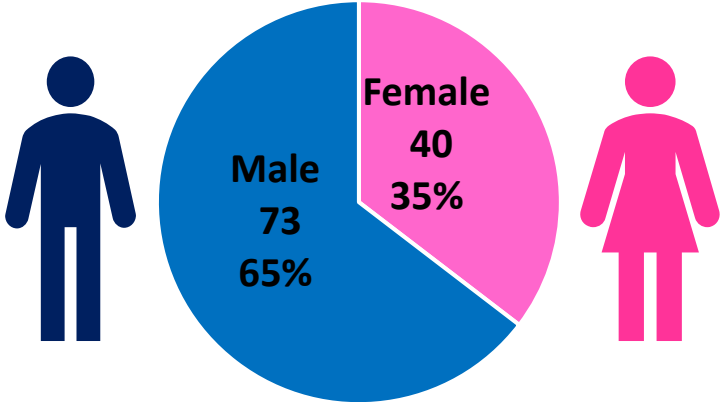
Demographic Information by Gender



**All HAS Employee Demographics
by Gender**



**Paygrade 29+ Demographics by
Gender**

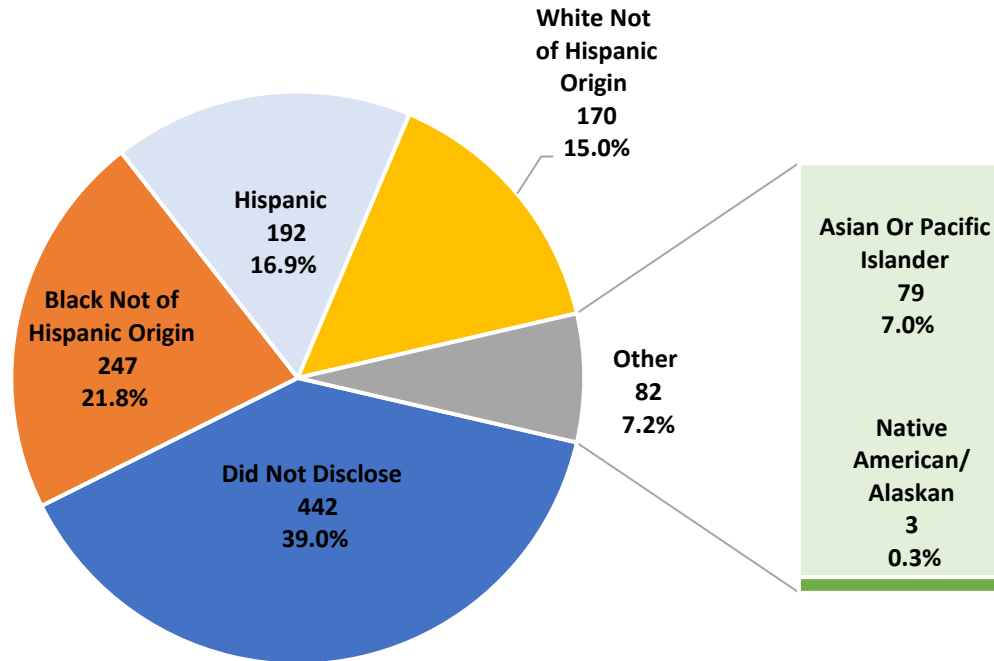


Data collected on April 30, 2021

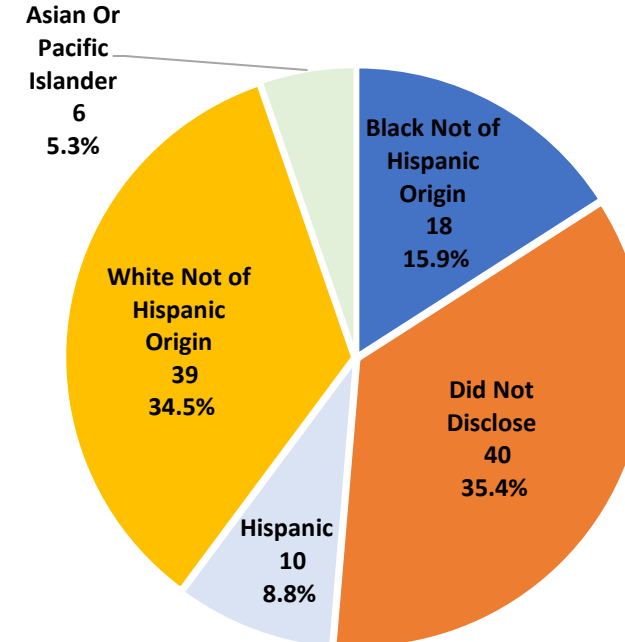


Demographic Information by Ethnicity

Employees Distribution by Ethnicity



Paygrade 29+ Distribution by Ethnicity



Data collected on April 30, 2021

FY 2021 Performance Measures



Business Process Measures	Priorities	FY20 Actual	FY21 Target	FY21 Estimates	FY22 Proposed
Debt Service Coverage Ratio (DSCR)	Sound Financial Management	1.59	1.50	N/M	N/M
Total M&O per Enplaned Passenger - HAS	Sound Financial Management	\$13.53	\$15.25	\$25.55	\$16.06
Total M&O per Enplaned Passenger - HOU	Sound Financial Management	\$8.74	\$9.32	\$14.74	\$9.50
Total M&O per Enplaned Passenger - IAH	Sound Financial Management	\$8.56	\$9.33	\$18.24	\$11.80
Total Operating Revenue per Enplaned Passenger for HAS	Sound Financial Management	\$22.52	\$21.69	\$29.82	\$24.03
Total Operating Revenue per Enplaned Passenger IAH	Sound Financial Management	\$22.53	\$22.76	\$30.16	\$25.49
Total Operating Revenue per Enplaned Passenger HOU	Sound Financial Management	\$18.14	\$18.00	\$22.49	\$16.07
Expenditures Adopted Budget vs Actual Utilization - Fund 8001	Sound Financial Management	86%	98%	67%	98%
Revenues Adopted Budget vs Actual Utilization - Fund 8001	Sound Financial Management	90%	100%	67%	100%
Expenditures Adopted Budget vs Actual Utilization - Fund 8012	Sound Financial Management	41%	98%	78%	98%
Revenues Adopted Budget vs Actual Utilization - Fund 8012	Sound Financial Management	70%	100%	100%	100%

Note: N/M Business Process Measure not meaningful, FY21 and FY22 Debt Service is being offset by PFC's and Cares Act Funds.